CTOS Digital (CTOS MK)

3Q25: Within Expectations; Recovery In Momentum In 2026

	HOLD (Maintained)
Share Price	RM0.905
Target Price	RM0.95
Upside	+5.0%

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Highlights

- 3Q25 results are within expectations, with sequential growth witnessed in both Malaysia and International operations across all business segments.
- 9M25 top-line growth remained intact, but bottom line was dragged by higher cost of sales and operating costs.
- Management expects growth momentum to resume in 2026, supported by enhanced product offerings and new customer acquisitions. **Maintain HOLD with a higher target price of RM0.95.**

3Q25 Results

Year to 31 Dec (RMm)	3Q25	qoq %	yoy %	9M25	yoy %
Revenue	83.0	5.1	4.0	238.1	4.4
Key Accounts (KA)	41.3	4.8	6.0	118.7	4.2
Commercial	31.9	5.8	(7.0)	91.3	(4.1)
Direct-to-consumer (D2C)	9.9	3.8	49.9	28.1	48.3
Gross Profit	55.7	5.9	(0.7)	161.7	(1.9)
EBITDA	25.1	28.8	(3.8)	63.4	(19.8)
PBT	26.4	15.2	(11.2)	63.9	(19.3)
Tax Expense	(1.9)	(0.6)	(20.2)	(4.0)	(30.7)
Net Profit	24.7	16.7	(10.4)	60.3	(18.4)
Core Net Profit	25.1	13.7	(10.9)	61.9	(18.0)
Margins	(%)	qoq ppt chg	yoy ppt chg	(%)	yoy ppt chg
EBITDA	30.3	5.6	-2.5	26.6	(8.0)
PBT	31.9	2.8	-5.5	26.8	(7.9)
Core net profit	30.2	2.3	-5.1	26.0	(7.1)

Source: CTOS, UOB Kay Hian

Analysis

- **Within expectations.** CTOS Digital's (CTOS) 3Q25 core net profit came in at RM25.1m (-11% yoy, +14% qoq). This brings 9M25 net profit to RM61.9m (-18% yoy), accounting for 72% and 73% of both our and consensus' full-year estimates respectively. The sequential growth in earnings was mainly driven by higher revenue contribution from both Malaysia (+4% qoq) and International (+10% qoq) operations alongside more stringent cost control.
- CTOS has declared a third interim dividend of 0.75 sen for 2025. This represents a payout ratio of 70% and is in line with the group's minimum dividend policy of 60%.

Key Financials

Year to 31 Dec (RMm)	2023	2024	2025F	2026F	2027F
Net turnover	261	305	321	344	388
EBITDA	75	75	58	73	98
Operating profit	89	92	75	92	117
Net profit (rep./act.)	118	106	86	100	105
Net profit (adj.)	133	108	86	100	105
EPS	5.8	4.7	3.7	4.3	4.6
PE	15.6	19.3	24.5	21.0	19.7
P/B	3.5	3.4	2.9	2.8	2.7
EV/EBITDA	29.1	29.1	37.9	29.9	22.3
Dividend yield	3.6	3.6	2.4	2.9	3.0
Net margin	45.3	34.9	26.8	29.1	27.1
Net debt/(cash) to equity	14.3	13.7	14.5	12.8	11.1
Interest cover	12.3	7.6	5.9	7.4	10.0
ROE	3.3	17.5	12.7	13.6	13.8
Consensus net profit	-	-	85	101	103
UOBKH/Consensus (x)	n.a	n.a	1.01	1.00	1.02

Stock Data

GICS Sector	Financial Services
Bloomberg ticker	CTOS MK
Shares issued (m)	2,293.4
Market cap (RMm)	2,075.5
Market cap (US$m)	494.6
3-mth avg daily t'over (US$m)	1.0

Price Performance (%)

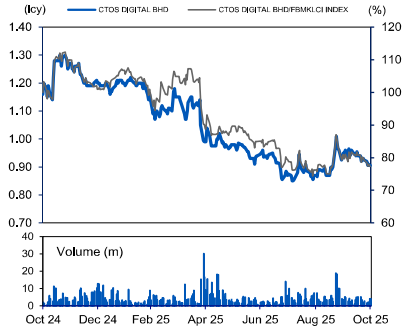
52-week high/low	RM1.31/RM0.82

1mth	3mth	6mth	1yr	YTD
(2.2)	2.8	(8.6)	(23.9)	(24.6)

Major Shareholders

	%
Employees Provident Fund Board	21.1
Jade Vine Sdn Bhd	20.0
Abrdn plc	16.2

Price Chart



Source: Bloomberg

Company Description

CTOS is mainly involved in the business of credit reporting, digital software-related services, software development, outsourcing and training services, and investment holding. It also facilitates credit extension and commercialises credit risk management.

- **9M25 top-line growth remains intact yoy but margins contracted.** In 9M25, CTOS recorded a commendable revenue of RM238.1m (+4% yoy), fuelled by strong growth in both Malaysia (+4% yoy) and Indonesia (+8% yoy). The top-line growth mainly reflects strong demand in the Direct-to-Consumer segment (+48% yoy). However, bottom line profit contracted 18% yoy, reflecting higher operating costs such as cost of sales (+21% yoy), sales and marketing expenses (+26% yoy). As a result, core net profit margin contracted 7.1ppt yoy.
- **Management expects growth to resume in 2026.** After a gestation period in 2025, management expects growth to resume in 2026, underpinned by steady execution in the Key Accounts (KA) segment with new products slated to launch soon. The commercial and direct-to-consumer segments are also expected to recover with higher volume growth.

Valuation/Recommendation

- **Maintain HOLD with a higher target price of RM0.95 (from RM0.93),** based on rolled-over 22x 2026F PE (from 25x), which is -1.5SD below its mean. While we continue to view CTOS as a well-positioned proxy to the growing demand for credit reporting services in Malaysia, Indonesia, and the Philippines, we note that near-term sentiment may remain weak until a new CEO is appointed.

Earnings Revision/Risk

- None.

Environmental, Social, Governance (ESG) Updates

Environmental

- No environmental issues which may materially impact biodiversity or climate change in any significant way.

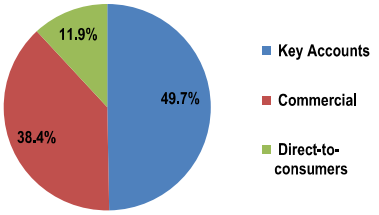
Social

- Conducted over 200 financial education roadshows for Malaysia's consumers.

Governance

- Comprehended and applied Malaysian Code on Corporate Governance (MCCG).

3Q25 Sales Breakdown



Source: BNM, UOB Kay Hian

Ctos's Associate Companies

RAM 57.675%
Market leader in bond credit ratings in Malaysia

Juristech 49%
Market leader in credit related enterprise-class software solutions in Malaysia

BOL 24.825%
Market leader in business information in Thailand

experian 26%
Experian Information Services (Malaysia) Sdn Bhd

Source: BNM, UOB Kay Hian

Profit & Loss

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Net turnover	304.9	321.3	344.0	388.1
EBITDA	74.9	57.6	72.9	97.7
Deprec. & amort.	(16.7)	(17.8)	(18.8)	(19.6)
EBIT	91.6	75.4	91.7	117.3
Associates	30.6	25.7	28.2	31.0
Net interest income/(expense)	(9.8)	(9.8)	(9.8)	(9.8)
Pre-tax profit	112.5	91.3	110.1	138.6
Tax	(6.6)	(5.3)	(9.9)	(33.3)
Minorities	0.4	0.0	0.0	0.0
Net profit	106.3	86.0	100.2	105.3
Net profit (adj.)	107.5	86.0	100.2	105.3

Balance Sheet

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Fixed assets	10.1	91.1	96.1	100.1
Other LT assets	768.5	769.8	771.1	772.4
Cash/ST investment	19.4	33.8	44.9	55.0
Other current assets	75.4	79.3	84.8	95.3
Total assets	873.3	974.1	996.8	1,022.9
ST debt	0.0	0.0	0.0	0.0
Other current liabilities	125.5	87.3	91.5	99.1
LT debt	104.8	139.5	140.5	141.5
Other LT liabilities	20.4	20.4	20.4	20.4
Shareholders' equity	623.1	726.9	744.5	761.9
Minority interest	0.0	0.0	0.0	0.0
Total liabilities & equity	873.8	974.1	996.8	1,022.9

Cash Flow

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Operating	103.9	91.0	96.2	98.3
Pre-tax profit	112.5	91.3	110.2	138.6
Tax	(6.6)	(5.3)	(9.9)	(33.3)
Deprec. & amort.	(16.7)	(17.8)	(18.8)	(19.6)
Associates	(30.6)	(25.7)	(28.2)	(31.0)
Working Capital Changes	(14.7)	5.6	(3.3)	(4.9)
Other operating cashflows	41.0	50.3	43.3	42.0
Investing	(32.6)	(25.0)	(25.0)	(25.0)
Capex (growth)	(33.5)	(25.0)	(25.0)	(25.0)
Investments	586.4	586.4	586.4	586.4
Others	(585.4)	(586.4)	(586.4)	(586.4)
Financing	(69.5)	(51.6)	(60.1)	(63.2)
Dividend payments	(72.2)	(51.6)	(60.1)	(63.2)
Proceed from Borrowings	74.5	0.0	0.0	0.0
Loan repayment	(58.7)	0.0	0.0	0.0
Others/interest paid	(13.0)	0.0	0.0	0.0
Net cash inflow (outflow)	1.8	14.4	11.1	10.1
Beginning cash & cash equivalent	15.8	19.4	33.8	44.9
Changes due to forex impact	1.8	0.0	0.0	0.0
Ending cash & cash equivalent	19.4	33.8	44.9	55.0

Key Metrics

Year to 31 Dec (%)	2024	2025F	2026F	2027F
Profitability				
EBITDA margin	24.6	17.9	21.2	25.2
Pre-tax margin	36.9	28.4	32.0	35.7
Net margin	34.9	26.8	29.1	27.1
ROA	12.6	9.3	10.2	10.4
ROE	17.5	12.7	13.6	14.0
Growth				
Turnover				
EBITDA	16.6	5.4	7.1	12.8
Pre-tax profit	(0.0)	(23.0)	26.6	34.0
Net profit	3.6	(18.8)	20.7	25.8
Net profit (adj.)	(10.2)	(19.1)	16.6	5.1
EPS	(19.0)	(20.1)	16.6	5.1
Leverage	(19.0)	(20.1)	16.6	5.0
Debt to total capital				
Debt to equity				
Net debt/(cash) to equity	14.4	16.1	15.9	15.7
Interest cover	16.8	19.2	18.9	18.6

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